

**GOVERNMENT THAT WORKS!**  
**NEW JERSEY DEPARTMENT OF THE TREASURY**  
**LOCAL GOVERNMENT BUDGET REVIEW**  
**PASSAIC BOARD OF EDUCATION**

**CHRISTINE TODD WHITMAN**  
*Governor*

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*Treasurer*

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*Commissioner*  
*Department of Community Affairs*



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the City of Passaic Board of Education Budget Review Team***

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them -- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those "cost drivers" in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID, AND LOCAL  
TAX RATE WITH RECOMMENDED CHANGES IN THE CITY OF PASSAIC  
SCHOOL BOARD OF EDUCATION BUDGET**

A. Staffing and Organizational Relationships	\$ 584,000 - 901,000
B. Personnel, Payroll and Benefits	1,171,000 - 2,000,000
C. Facility and Maintenance Costs	754,000
D. Energy Costs	195,000
E. Food Services	
Option I - Competitive Contracting	1,122,000 - 1,172,000
Option II - Improved Local Management	659,000 - 709,000
F. Banking and Investment Income	160,000 - 200,000
G. Special Education and Transportation Costs	2,309,300 - 2,632,300
<b>TOTAL - Using Food Service Option I</b>	<b>\$6,295,300 - 7,854,300</b>
<b>Using Food Service Option II</b>	<b>\$5,832,300 - 7,391,300</b>

<b>Total Amount to be Raised for School Tax: 1994-1995</b>	<b>\$14,933,681</b>
<b>Savings as a Percent of School Tax</b>	<b>39.0% - 52.8%</b>
<b>Total Budget: 1994-1995</b>	<b>\$87,615,874</b>
<b>Savings as a Percent of Budget</b>	<b>6.7% - 8.9%</b>
<b>Total State Aid: 1994-1995</b>	<b>\$59,800,308</b>
<b>Savings as a Percent of State Aid</b>	<b>9.8% - 13.1%</b>

**LOCAL GOVERNMENT BUDGET REVIEW  
CITY OF PASSAIC BOARD OF EDUCATION  
EXECUTIVE SUMMARY**

**A. Staffing and Organizational Relationships**

Elimination of redundant positions in the schools and in the central administration, particularly when done in conjunction with the hiring of a Human Resources Director, will produce an annual savings ranging from \$584,000 to \$901,000.

**B. Personnel, Payroll and Benefits**

Careful management in lost time leading to reduced costs for substitutes and workers compensation claims, complete elimination or at least reduction in the longevity benefits and the automation of the payroll process will yield an annual savings ranging from \$1,171,000 to \$2,000,000.

**C. Facility and Maintenance Costs**

Competitively contracting custodial services and reducing the related cost of supplies will yield an annual savings of approximately \$754,000.

**D. Energy Costs**

Taking advantage of existing cost reduction packages being offered by the utility companies and retrofitting the existing facilities to minimize energy costs will yield an annual savings of approximately \$195,000.

**E. Food Services**

Transfer of the excess enterprise fund balance and improved local management will generate savings ranging from \$659,000 to \$709,000 or competitively contracting the delivery of food services and transferring the excess enterprise fund balance will yield annual savings ranging from \$1,122,000 to \$1,172,000.

**F. Banking and Investment Income**

Maximizing the return on bank accounts and investments through consolidation of accounts, elimination of non interest bearing accounts and competitively bidding banking services can yield an additional \$160,000 to \$200,000 in interest income per year.

**G. Special Education and Transportation Costs**

Making greater use of the existing capacity for special education students within the district, expanding the available education space to permit a reduction in out of district placements and competitive contracting of child study team services will yield annual savings ranging from \$2,309,300 to \$2,632,300.

## **H. Bilingual Education**

Resolution of the issues identified by the review team through the adoption of local goals, standards and policies will permit the staff to plan accordingly. This could lead to reduction in the marginal costs associated with the bilingual and English as a second language program.

## **I. Student Attendance**

Continued analysis of attendance patterns, concentrated efforts with the groups where the greatest impact may occur, simplification of the record keeping system through automation, and additional field work should lead to improved attendance.



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**THE BUSINESS OF EDUCATION:**  
**OPPORTUNITIES FOR CONSTRUCTIVE CHANGE IN**  
**THE CITY OF PASSAIC BOARD OF EDUCATION**

The invitation extended by the Passaic Board of Education to the Local Budget Review Program indicates a strong awareness that traditional norms in society and in the workplace are changing rapidly. Where once the status quo was acceptable, today there is an increasing realization that “business as usual” will lead to severe financial difficulties and major service delivery problems. Given this reality, every organization has the opportunity to develop a constructive, cooperative and planned approach to change.

For the last several years, and for the foreseeable future, Passaic will be facing the challenges associated with growth in the student population, many of whom do not have command of the English language. Given that Passaic practically falls within the shadow of the Statute of Liberty, the fact that the community has become a starting point for new immigrants should not be surprising. The demands and obligations associated with bilingual education and the demands for a first rate content education must both be met within the steadily increasing constraints on the financial resources of the State and the community. Accordingly, the Local Budget Review Team has identified recommendations intended to improve management, enhance revenues and control costs without detracting from the level of educational services provided to the citizens of Passaic. The Review Team intentionally did not make any effort to review or critique curriculum content or teaching method and performance. Where appropriate, comments have been made on span of control, internal controls, accountability and other important criteria used in making business or management decisions.

The specific areas addressed in the report are:

- Staffing & Organizational Relationships
- Management of Personnel, Payroll & Benefits
- Cash Management, Banking & Investments
- Delivery of Food Services
- The Management of Custodial & Maintenance Cost
- The Management of Attendance Issues & Costs
- The Management of Special Education and Transportation & Costs
- The Management of Bilingual Education & Costs
- The Management of Energy Costs
- Opportunities for Local Cooperation and Consolidation
- Opportunities for Review of State Policies & Procedures

## **STAFFING AND ORGANIZATIONAL RELATIONSHIPS**

During the review process over fifty members of the staff of the Passaic Board of Education were interviewed. One of the major themes identified during these interviews is that a clear table of organization and chain of command does not really exist. The table of organization as shown on Page 9 of the June 30, 1994, Comprehensive Annual Financial Report (CAFR) does not reflect the informal working or formal reporting relationships.

The lack of an effective table of organization encourages reliance on informal networks, which in turn yields a lack of control and accountability. While the superintendent is ultimately responsible for all facets of the organization and its productivity, the day to day reality is that specific management personnel should be in charge of, and must be held accountable for the conduct and productivity of the staff within their area(s) of responsibility.

In addition to the existence of extensive informal reporting relationships, responses to questions asked about decision making procedures indicated a limited sense of responsibility and accountability among key staff members. When questions were asked regarding who normally makes a decision or how a decision is made, the two most common answers were "It depends on the situation," or "I let the Superintendent make the decision." Unusual circumstances notwithstanding, when decisions are based primarily on "the situation" there is little chance basic standards will be maintained. Staff members junior to the Superintendent also appear to be "delegating" some of their work and responsibility upward by "letting" the Superintendent make certain decisions. Simply put, "passing the buck" has become an accepted practice.

The review team made the determination(s) that: (1) the lack of an effective table of organization and the lack of a specific staffing plan has resulted in overlapping and redundant staffing and (2) clarification of reporting relationships and areas of responsibility will enable the District to eliminate redundancies within the several areas.

In order to define and evaluate the cost of staffing, the total cost of salaries, wages and benefits paid by the District was reviewed by the team. Given the incomplete transition to the new accounting and budgeting system, the team chose to use wage and salary data provided on the 1994 W-2 forms rather than data published in the last CAFR. While W-2 data does not match a fiscal or budget year, it is potentially the most accurate summary of actual salary and wage expenditures by category. The total appearing in block 17 (State, wages, tips, etc.) of each W-2 was assigned to a category by payroll job code. Longevity pay is included in the W-2 total. 20% of the salary and wage total was added to reflect the District's direct cost of benefits. The cost of benefits actually ranged from 20% to 35% depending on the type of position and tenure of the employee. The largest component of this difference is due to the fact the State pays social security for all members of the Teachers Pension and Annuity Fund retirement system. The team chose to use the lower figure to ensure all estimates provided in the report were fiscally conservative.



**TABLE A**  
**MAJOR COST CATEGORIES**  
**1994 W-2 DATA & DIRECT BENEFITS**

<b>TITLE</b>	<b>#</b>	<b>W-2 TOTAL</b>	<b>BENEFITS</b>	<b>TOTAL</b>
Building & Grounds	96	3,318,317.96	663,663.59	3,981,981.55
Food Services/Cafeteria	124	1,106,612.71	220,722.54	1,327,335.25
Business Office - Clerical	23	800,604.86	160,120.97	960,725.83
Nurses	14	648,775.53	129,755.11	778,530.64
Attendance Officers	12	396,425.87	79,285.17	475,711.04
Central Admin - Business	6	308,165.01	61,633.00	369,798.01
Police/Security	14	41,540.00	8,308.00	49,848.00
Printing/Publishing	10	34,960.75	6,992.15	41,952.90
Teachers	723	35,838,960.13	7,167,792.06	43,006,752.19
Teacher Aides	101	1,697,514.28	339,502.86	2,037,017.14
Substitute Teachers	203	1,050,922.18	210,184.44	1,261,106.62
Home Instruction	28	24,719.75	4,943.95	29,663.70
Department Head Teachers	12	887,463.65	177,492.73	1,064,956.38
Guidance, Counselors & Liaisons	47	2,848,458.16	569,691.63	3,418,149.79
Principals	27	2,474,282.88	494,856.58	2,969,139.46
School & Ed Spt Clerical	64	1,526,999.54	305,399.91	1,832,399.45
Educ Spt - Central Admin	12	1,132,475.49	226,495.10	1,358,970.59
Librarians	7	435,346.93	87,069.39	522,416.32
Not Otherwise Classified & Student Workers		225,752.97		
<b>TOTAL</b>		<b>\$54,798,298.65</b>	<b>\$10,913,909.18</b>	<b>\$65,712,207.83</b>

Based upon the data summarized above, review of other data such as past audits and reports, interviews with District personnel and observations made by members of the review team, the following items were identified as “cost drivers” for the City of Passaic School District: (1) the cost of substitutes, (2) buildings/grounds salaries and wages, (3) the food service operation, (4) salaries and wages for principals, (5) the salaries and wages for attendance officers, (6) salaries and wages for educational support positions in the Central Administration, (7) the costs of benefits, and (8) the combined costs of transportation and tuition for out of District education.

Cost effective alternatives and redundant staffing patterns are discussed in nearly every separate section of this report. Outlined below are general recommendations pertaining to the entire District and recommendations pertaining to the central administration.

**1. Passaic should develop, adopt and then annually review a formal Table of Organization.** When developing the table of organization, consideration should be given to limiting the span of control for the senior management positions, consolidating clerical staffs through pooling, particularly in the central administration, and eliminating overlapping and redundant educational support positions.

**2. Upon adoption of a table of organization, Passaic should then develop, adopt and annually review a “Staffing Resolution” detailing the number and type of authorized positions.** Decisions to create a new position or eliminate existing positions should be made within the context of the whole organization. An increased workload in one area does not always mean additional personnel are needed. Once an acceptable staffing plan has been developed, there should be little need to make major changes particularly in the business and educational support areas. The area(s) most likely to change are the number of teaching positions given the changing student population.

**3. As the staffing plan is developed, consideration should be given to the following:**

**3.A. Eliminate at least four assistant principal or vice principal positions through attrition and/or reassignment to teaching positions.** Based on the W-2 data principals or vice principals earned a total of \$2,474,282.88. When the direct cost of benefits is included the total expense becomes \$2,969,138 or \$109,968 per position. This equates to approximately 8/10 of a cent on the tax rate for each position. The District maintains a fairly consistent ratio of about 315 students per principal, yet this does not appear to have any significant bearing on the workload or responsibilities associated with each position. In the High School there is one assistant principal position per grade yet in the Middle School there are three assistants for two grades. Among the elementary schools there are five sites that do not have all of the elementary grades. In three of these five sites there is an assistant position. The review team was unable to discern any real need for many of the assistant positions, particularly in the elementary schools. If five assistant principal positions were eliminated through attrition, the annual savings would be at least \$527,000 ( $\$109,868 \times 4 \times 20\% \text{ benefit cost} = \$527,846.40$ ). If the affected individuals were returned to teaching positions, the savings would be at least \$210,000 per year. This savings would be obtained by not filling four teaching vacancies.

**3.B. Eliminate at least two senior educational support positions** from the central administration. The district appears to have an excessive number of educational support positions, particularly within the central administration. The emphasis on site-based management and a revised table of organization creating direct reporting relationships in the area(s) of educational support will render many of these positions unnecessary. Based on the existing cost of the salaries and benefits of the positions

outlined above, the total annual savings would be approximately \$226,494, rounded downward to \$264,000 for the purposes of this report.

**3.C. Eliminate four secretarial and clerical positions** and pool the remaining support staff for the central administration positions outside the Office of the Superintendent. Based on the average cost of salaries and benefits for secretarial and clerical positions, the total estimated annual savings resulting from the elimination of four positions would be approximately \$114,523, rounded to \$114,000..

**3.D. Eliminate the Director of Nursing position.** Once again, given the emphasis on site based management, the supervision of nurses should be the function of each school Principal. The anticipated annual savings in the cost of salaries and benefits would be approximately \$106,744.

4. Reorganize the Business Office into a “Budget & Finance” section and an “Operations” section, and place all payroll and other personnel functions under the responsibility of the proposed Human Resources Director. Support staff for the Human Resources Director can be drawn from the existing staff of the Business Office and the Office of the Superintendent. Additional comments presented in the next section of this report substantiate this recommendation.

### **FISCAL IMPACT**

3.A. Eliminate five assistant/vice principal positions:	\$210,000 - 527,000
3.B. Eliminate two educational support positions:	\$226,000
3.C. Eliminate four related clerical positions:	\$114,000
3.D. Eliminate Director of Nursing position:	\$106,000
4.A Hire Human Resources Director	<\$ 60,000>
4.B Related benefit cost	<\$ 12,000>

### **SAVINGS**

=====  
**\$584,000 - \$901,000**



## **THE MANAGEMENT OF PERSONNEL, PAYROLL AND BENEFITS**

The fourth recommendation in the section titled "Staffing and Organizational Relationships" suggests "all payroll and other personnel functions (be placed) under the responsibility of the proposed Human Resources Director." The Passaic School District has over 700 employees, several collective bargaining agreements and a reasonably high level of turnover among its part-time personnel. The cost of payroll and benefits is unequivocally the largest component of the District budget every year. Notwithstanding its magnitude, there is no staff dedicated to personnel administration and no single member of management is accountable for recruiting, screening, hiring, payroll, benefits, employee conduct, discipline and evaluation.

The Business Office maintains certain records for existing employees related to sick leave and other benefits, while the Office of the Superintendent maintains other records related to compensation, etc. All of these records are kept manually on 3x5 or 5x8 cards. While the clerical staff involved in maintaining these records are cooperative and competent, the antiquated manual system is inefficient and prone to unintentional human error. Similar inefficiencies exist in the hiring and screening process. Overall, the administration of personnel is an additional duty distributed among several personnel within two or three different offices of the district.

The need for consolidated and focused human resources management is further supported by the fact that many personnel issues tend to go unnoticed without proper, timely management. For example, during fiscal year 1993-1994 the district spent over \$1,000,000 on the cost of substitutes and workers compensation claims. This total does not include the sick leave paid to employees who used 10,516 sick days or nearly 6% of the scheduled work time. At an average cost of \$200 per day, the wages paid to employees out on sick leave totaled approximately \$2,100,000. 73% of this sick time was used by teachers or aides. 45% of the teaching staff used more than 10 days of sick leave during the school year.

The lost time described above does not include time that may have been lost due to "recognized exclusions" for ten different diseases (measles, rubella, chickenpox, conjunctivitis, hepatitis, scabies, impetigo, pediculosis, ringworm) nor does it include cases where the employee elected to utilize a disability benefit in lieu of sick leave.

In addition to the direct costs resulting from absences due to illness and injury, the taxpayer is also underwriting the cost of short and long term disability insurance policies. The amount being underwritten by the taxpayer varies with each collective bargaining agreement. The existence of disability insurance coverage is not unusual. However, it was interesting to note that in the highly competitive marketplace only one bidder responded to an aggressive solicitation for quotes when the disability policies were coming up for renewal. The insurance criteria, which are developed by the unions, call for levels of coverage in excess of the norm. Under the existing arrangement, it is possible for a

teacher to receive full compensation from the district and simultaneously receive additional compensation from the insurance carrier providing the short term disability policy.

Given that it is the employees earning the largest salaries who use most of the sick time, it is reasonable to project that a 5% reduction in the use of sick leave would yield a savings of approximately \$100,000.

During the 1993-1994 fiscal year the Passaic Board of Education made longevity payments totaling in excess of \$2,000,000 to approximately 367 employees. Longevity pay is not a common benefit among teachers and other employees of school districts in the State of New Jersey. In Passaic, longevity is based on a percentage of the base salary which is even less common. During the 1993-1994, year 96 employees having completed ten or more years of service received longevity pay equal to 9.5% of the base salary; 109 received longevity equal to 10% of their base salary; 104 received longevity equal to 10.5% of their base salary, and 58 employees earned an additional 11.5%. Table B compares the longevity payments in Passaic and the neighboring district of Clifton. The significant difference in longevity is not offset by a comparable difference in the base rates of pay.

**TABLE B**  
**A COMPARISON OF LONGEVITY PAY SCALES**

<b>Employee Group</b>	<b>Service</b>	<b>Passaic</b>	<b>Clifton</b>
Teachers	10 years	9.5%	0
	15	10.0%	0
	20	10.5%	4.0%
	25	11.0%	5.5%
	30	11.5%	
Secretaries	5	8.5%	0
	10	9.0%	3.0%
	15	9.5%	4.0%
	20	10.0%	4.0%
	25	10.5%	5.0%
	30	11.0%	
Custodians	5	8.0%	0
	10	9.0%	3.0%
	15	10.0%	3.0%
	20	11.0%	4.0%
	25	12.0%	5.0%
	30	13.0%	

By the year 2000 an additional 163 employees will have qualified for longevity payments under the provisions in the current collective bargaining agreements. This will result in longevity payments totaling at least \$3,000,000, without considering the impact of future cost of living increases in the base pay rates. It is unlikely that retirements will offset this increase since: (1) longevity is tied to base salary and (2) the number of employees qualifying for longevity will exceed the number of employees approaching retirement with thirty or more years of service, by approximately 44%.

It is recommended Passaic eliminate all forms of longevity pay as quickly as possible, particularly among the pay groups receiving the highest rates of pay. Based on the 1994 W-2 totals, which include longevity pay, ten employees earned in excess of \$100,000; 148 other employees earned between \$70,000 and \$100,000. Elimination of longevity for these personnel alone would save the district at least \$1,106,000 per year ( $\$70,000 \times 10\% \times 158$ ). Failure to address the explosive impact of this benefit will surely lead to major financial difficulties for the district within the next couple of years.

Currently four employees of the Business Office spend a majority of their work time on payroll. Although a contract is in place with ADP to process the pay checks, the District has not yet moved to the automated system offered by the vendor. The additional cost to fully automate the process (approximately \$35,000 per year) would permit a reduction of at least two positions in the business office. These personnel would then be available to support the proposed Director of Human Resources position. If necessary a third support position could be drawn from the existing clerical staff in the central administration.

## **FISCAL IMPACT**

Reduction in lost time and related benefit costs	\$ 100,000
Reduction in cost of longevity	\$1,106,000 - \$2,000,000
Automation of payroll process	<u>(35,000)</u>
<b>SAVINGS</b>	<b>\$1,171,000 - \$2,000,000</b>

Note: The anticipated annual salary and benefit expense for hiring a Director of Human Resources (\$72,000) is deducted in the fiscal impact summary of the "Staffing and Organizational Relationships" section.

## THE MANAGEMENT OF FACILITY AND MAINTENANCE COSTS

Overall the Facilities Division is responsible for custodial services, plant operations, light maintenance & repair, and capital renovations covering approximately 1,347,075 square feet. Planning and implementing future capital needs is also a major responsibility of the division. This total area requiring custodial and maintenance care will increase when the new addition to the High School is completed. Table C contains a summary of the allocation of personnel, salaries and benefit costs within the Division.

**TABLE C**  
**AN ALLOCATION OF FACILITY PERSONNEL, SALARIES AND BENEFITS**

<u>POSITION</u>	<u>NUMBER</u>	<u>TOTAL WAGES</u>	<u>BENEFITS (a)</u>	<u>SUBTOTAL</u>
Custodial	61	\$1,850,925	\$511,780	
Substitutes & Overtime		<u>\$ 316,155</u>	<u>\$ 24,185</u>	
<b>SUBTOTAL</b>		<b>\$2,167,080</b>	<b>+ \$535,965</b>	<b>=</b>
				<b>\$2,703,045</b>
Maintenance	10	\$ 421,520	\$116,550	
Substitutes & Overtime		<u>\$ 25,915</u>	<u>\$ 1,980</u>	
<b>SUBTOTAL</b>		<b>\$ 447,435</b>	<b>+ \$118,530</b>	<b>= \$ 565,965</b>
Firemen, Engineers	12	\$ 460,580	\$127,350	
Substitutes & Overtime		<u>\$ 62,195</u>	<u>\$ 4,755</u>	
<b>SUBTOTAL</b>		<b>\$ 522,775</b>	<b>+ \$132,105</b>	<b>= \$ 654,880</b>
Administration	4	<u>\$ 174,050</u>	<u>\$ 48,125</u>	
<b>SUBTOTAL</b>		<b>\$ 174,050</b>	<b>+ \$ 48,125</b>	<b>= \$ 222,175</b>
		=====	=====	=====
<b>TOTAL</b>		<b>\$3,311,340</b>	<b>+ \$834,725</b>	<b>= \$4,146,065</b>

(a) The cost of benefits is computed at 27.65% for full time personnel and 7.65% for overtime and substitutes since the district pays the employers portion of the social security and Medicare tax on these positions.



The district is currently paying approximately \$2.00 per square foot for custodial services (\$2,703,045/1,347,075 s.f.). The overall cost for all custodial, maintenance and plant operation services is approximately \$2.91 per square foot (\$2,703,045 + \$565,965 + \$654,880/1,347,075 s.f.). When the cost of the administrative staff is included the cost per square foot increases to \$3.08 (\$4,146,065/1,347,075 s.f.).

### CUSTODIAL SERVICES

Recent public sector contracts covering twelve months (260 work days) for custodial services have ranged from \$1.00 to \$1.75 per square foot. If Passaic were to contract for custodial services at \$1.75 per square foot, the District would save approximately \$345,665 (rounded to \$345,000) per year (\$2,703,045 - (1.75)(1,347,045 s.f.)). If the District was able to structure the contract so that services were provided for not more than 11 months or 238 work days, by reducing holiday and summer staffing by 50% then it would be possible for the district to save an additional \$196,450 (rounded to \$196,000). Neither savings estimate includes the amount spent by the district on custodial supplies and equipment. Exhibit B-2 of the 1993-1994 CAFR lists an actual expense of \$355,121 for "General Supplies" in the "Operation and Maintenance of Plant of Plant Services" section. Based upon the experience of other district that have contracted janitorial services, it would be possible to reduce this total by 60%, or approximately \$213,000 per year.

In addition to the direct financial savings, the District would have the opportunity to (re)establish and enforce minimum standards for the cleanliness and condition of the school facilities. Based on observation of the grounds and discussion with personnel, it became quite evident to the team that any effort to improve the cleanliness and condition of the facilities was being met with considerable resistance by the junior staff. It was equally apparent to the team that selected building principals were not supportive of efforts to improve the cleanliness and condition of their facilities. Neither attitude is in the best interest of the students and taxpayers of Passaic.

Another major advantage to competitive contracting of custodial services is that the Building Coordinator and his staff could then devote considerably more of their time to the more complex matters of maintenance and repair work, plant operations and capital planning.

### MAINTENANCE AND REPAIR

The District currently retains ten maintenance and repair personnel on the staff at a cost of \$565,965 per year. The staff consists of 6 general maintenance workers and 4 skilled tradesmen. The Buildings Coordinator has developed a system for the reporting, assignment and tracking of light maintenance and repair work. The Board and the Superintendent should fully support the implementation of this program. Within six months of its implementation the District should have preliminary data indicating how promptly maintenance and repair problems are reported, how long it takes to close out an

open repair order, and estimates on the amount of time spent per type of job. This can then be used to assess the effectiveness and productivity of the maintenance and repair staff and it can be used to evaluate the feasibility of using private contractors for completing this work.

It is also recommended that the Board direct the Purchasing Agent to work with the Buildings Coordinator to solicit written unit price bids (price/hour) for master and apprentice workers in each of the major trades. Once this is done, the District can utilize these personnel as needed at the agreed upon rate structure. Care will have to taken to insure that a ceiling is placed on the cost of each job to discourage or prevent jobs from being extended unnecessarily or inappropriately.

### **FISCAL IMPACT**

Competitively contract custodial services:	\$345,000
Reduce custodial services to 11 month equivalent:	196,000
Reduce annual cost of supplies	<u>213,000</u>

<b>SAVINGS</b>	<b>\$754,000</b>
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## **THE MANAGEMENT OF ENERGY COSTS**

Prior to the beginning of the review, the business and facilities staff had identified the need to make changes in the lighting and heating systems in order to control energy costs. The District's electrical energy consumption amounts to over 4.5 million kilowatt hours per year for a total annual cost in excess of \$650,000. An eleven month summary of actual bills totaled \$620,853. The use and the cost of electricity varies by building due to size, type of heat and hours of operation.

Work has started on ways to improve the efficiency of the HVAC system through the installation of individual room or area temperature regulators. The present system creates severe imbalances in the distribution of heat. It was not uncommon for the review team to see windows open on the coldest days because an inordinate amount of heat had been distributed to one area. Serious consideration should be given to authorizing a capital project for the installation of regulators and/or other mechanisms to balance the distribution of heat and reduce the costs associated with providing heating and air conditioning.

Public Service Electric and Gas offers two rebate programs, Standard Offer and Bright Lights. In order to qualify for these programs, which would increase the district's opportunity for savings, specific technical requirements must be met. It is not feasible for the district to undertake such a comprehensive energy retrofit program on its own. Several firms responded to preliminary inquiries from the district and made oral presentations to representatives of the staff. Technical assistance prior to and during the bid process can be obtained from the New Jersey Department of the Treasury, General Services Administration Energy Programs Office

Based upon the current consumption patterns, it is reasonable to project that lighting, heating and cooling costs can be reduced by at least 30%. Accordingly, the annual operating savings can be as much as \$195,000. The annual operating savings will be partially offset by the capital cost of the retrofit work; however, the District should still experience a significant overall savings in the first year after the retrofit is completed.

POTENTIAL FISCAL IMPACT: Estimated reduction in operating costs after facility retrofit: \$195,000

## THE COST AND MANAGEMENT OF FOOD SERVICES

The food service enterprise fund has the unusual history of operating at a loss for three consecutive years while increasing the year end fund balance at the same time. The fact that either event occurred more than once should be a major cause of concern for the food services director, the senior administration and the Board of Education. As the review team sought to understand this unusual phenomenon several other issues were uncovered.

Table C summarizes the expenditures, budget allocations and net income for the food service fund for fiscal years 1991-1992, 1992-1993 and 1993-1994. Over these three years the district budget a total of \$89,646 more than was needed. The fund balance listed in the official audit (page 66) for the year ending June 30, 1993 was \$862,631. The 1993-1994 CAFR (page 64) listed net income for the year of \$49,135.

**TABLE C**

### SUMMARY OF FOOD SERVICE EXPENDITURES, BUDGET ALLOCATIONS AND NET INCOME BY FISCAL YEAR

	<u><b>1991-92</b></u>	<u><b>1992-93</b></u>	<u><b>1993-94</b></u>
Salaries, Wages	\$ 888,144	\$1,081,329	\$ 788,903 (1)
Benefits	364,555	491,689	746,319
<b>SUBTOTAL</b>	<b>\$1,252,699</b>	<b>\$1,572,018</b>	<b>\$1,535,222</b>
Other Operating			
Expenses	1,286,598	1,057,835	1,267,986
<b>TOTAL</b>	<b>\$2,539,297</b>	<b>\$2,629,853</b>	<b>\$2,803,208</b>
 Budget Allocation	 \$ 250,000	 \$ 286,437	 \$ 238,500
Net Income with			
Budget Allocation	\$ 5,872	\$ 34,639	\$ 49,135

1. On January 26, 1995 the auditor issued revised schedules that combined salaries, wages and benefits. The total cited above did not change. The auditor indicated “the fringe benefit expense account also included salaries and wages. Thus, the breakdown between the two expense categories as originally reported in the CAFR were not correct.”

Much like a public water or sewer utility, a school’s food service operation is separated from the general account for two reasons. First, there is a high degree of activity due to purchases, (grant) reimbursements and local sales. Second, the separate budgeting and accounting procedures enable the senior staff and Board to readily determine how well or how poorly the self supporting “business” is doing. The current fund balance equals approximately 70% of the annual operating expense. An enterprise fund must maintain a

reasonable fund balance to insure a positive cash flow, but at the same time there is no reason to maintain an excess balance, particularly when the taxpayer can benefit from an adjustment. **Accordingly, it is recommended the excess fund balance be returned to the General Account of the District. Subject to review by the Business Administrator and Auditor of the depreciation schedules and cash flow projections, it would not be at all unreasonable to expect that \$450,000 - \$500,000 of the \$862,631 fund balance can be returned to the General Account.**

During the 1993-1994 fiscal year, the net operating loss prior to the budget allocation authorized by the Board was \$189,365. The review team noted discounts were not negotiated for bulk purchases of food and for prompt payment of bills. Had the food services staff negotiated a 3% discount on the 1993-1994 cost of food (\$1,030,369) the operating deficit would have been reduced by approximately \$30,900.

The annual operating deficit could have been further reduced through modifications in the size and use of the food services staff. Overall, the number of recognized staff members (96) was smaller than the number of W-2 forms that were issued (124) for 1994. The difference appears to be due to the turnover rate and the use of substitute workers. The review team questions the practice of routinely hiring substitute workers, particularly when most of the staff work part-time. At least one third of the staff are part time employees receiving no benefits. Another group of 56 employees receive all benefits in addition to the wages for their (part time) work.

Since every site has a Cook Manager, even if there is no kitchen, the need for a Field Manager and Supervisor position has to be questioned. Elimination of these two positions would reduce the enterprise fund expenditures by approximately \$104,644 per year. The elimination of four full-time General Worker positions would yield additional savings of at least \$75,000.

Overall, the elimination of 6 out of 96 positions and utilization of bulk purchase and prompt payment discounts would have resulted in a net operating profit without any budget allocation. This would give the Board the opportunity to reduce the local tax rate by nearly 1.75 cents without taking advantage of the \$450,000 - \$500,000 recommended for transfer to the General Account fund balance.

Recognizing that over 200 school districts in New Jersey have already chosen to contract for the provision of food services, the review team sought to determine whether this was a feasible option for the Passaic Board of Education to consider. Table D compares the total operating costs, fees charged for meals and the cost per meal between Passaic and Union City. Food services in Union City are provided by one of several private sector companies involved in the business.

**TABLE D**  
**A COMPARISON OF OPERATING COSTS, FEES AND MEAL COSTS**  
**BETWEEN TWO FOOD SERVICE OPERATIONS**

<u>PASSAIC</u>		<u>UNION CITY</u>
\$2,793,208	Total Operating Cost	\$1,819,605
1,223,375	Total Meals Served	1,053,821
1.30	Elementary Meal Charge	1.00
1.50	Secondary Meal Charge	1.25
2.28	Cost Per Meal	1.73

When the net difference in the cost per meal is applied to the total number of meals served in Passaic, the total savings that can be achieved through competitive contracting is approximately \$672,856. Based upon the Union City example, the savings can be achieved at the same time the fee charged for a meal is reduced.

During the course of the interview process every senior staff member and every Board member expressed concern about displacing food service workers, particularly those who lived and paid taxes in the community. The stark reality is that excesses must be eliminated -- whether it is done by the Board or through some form of competitive contracting. A common strategy when competitively bidding this service is to require the successful bidder to absorb as many displaced workers as needed to properly provide the service requested in the bid announcement. To simply carry excess personnel because of past practices is beyond the capability for taxpayers to fund or support.

#### **FISCAL IMPACT**

Option I - Competitive contracting:	\$672,000
Transfer excess fund balance:	<u>\$450,000 - \$ 500,000</u>
<b>SAVINGS</b>	<b>\$1,122,000 - \$1,172,000</b>

Option II - Improved local management	
Transfer excess fund balance:	\$450,000 - \$500,000
Reduce staffing	179,000
Utilize discounts:	<u>30,000</u>
<b>SAVINGS</b>	<b>\$659,000 - \$709,000</b>

## THE MANAGEMENT OF BANKING AND INVESTMENTS

A significant portion of every review completed by the Local Budget Review Program has been geared to identifying ways a public agency can improve its interest income and reduce the costs associated with reconciling and maintaining banking accounts. During the 1993-1994 school year, the Business Office maintained at least 34 different bank accounts. Many of these accounts were for school activity funds that carried balances under \$3,000. There were thirteen other accounts with average daily balances exceeding \$30,000. Within this subgroup the three largest accounts had average daily balances in excess of \$3,000,000. However, during the 1993-1994 fiscal year, there were four accounts, with an average daily balance between \$120,000 and \$360,000 that earned no interest at all.

To the credit of the Business Administrator and the Controller, many improvements had already been made prior to the beginning the local budget review. Continued improvement in the areas of cash management, banking and investment of public funds should continue to be a very high priority for the Business Office and for the Board. To that end the Review Team offers the following recommendations, some of which may have already been implemented, that will yield additional interest income of at least \$160,000.

**1. Serious consideration should be given to obtaining written responses to a request for proposal, or formally bidding all depository contracts and banking services.** Within the banking industry public accounts are normally viewed as attractive accounts. Most, if not all of the major banks in New Jersey, have a “government banking section” or senior marketing personnel assigned to government banking. Competitive bidding on the cost of banking services, minimum required balances and interest rates to be paid on operating accounts and certificates of deposit should benefit the district and the taxpayer. Even without the favorable impact of competitive bidding, the team identified a potential interest earnings gain of at least \$160,000 through revision of the existing banking arrangements. Given recent interest rate trends the potential for additional interest income could exceed \$200,000 per year.

**2. School activity fund accounts should be consolidated into one bank account.** Subaccount control can be maintained by the Controller and/or the bank. Interest income can be split among the various school activity funds

**3. During the twelve months of fiscal year 93-94 the average daily balance in the Payroll Account ranged from \$158,561 to \$507,727. This account did not earn any interest. The Payroll Account should be restructured as a “zero balance account,” and the excess balance should be permanently returned to the fund balance of the District.**

**4. The average daily balance of the Teachers’ Summer Payroll Account increased every month between September 1993 and June 1994. The interest rate paid each quarter ranged from 2.08% to 2.44%. The timing and size of the deposits into this**

account as well as the timing and size of the withdrawals during the summer months can be projected with considerable accuracy. Accordingly, **interest income on the Summer Payroll Account should be maximized through investment in Certificates of Deposit or other legal investments earning a greater rate of interest.**

5. The District's workers compensation claims administrator provides detailed data every quarter on the amount and types of claims paid. This data can be used to identify patterns and trends on the required liquidity within the Workers Compensation Claims Account. During 1993-1994 this account did not earn any interest. The average daily balance ranged from \$44,275 to \$170,217. **It is recommended the controller complete an analysis of past cash flow requirements and then remove excess cash from the bank account and invest it in certificates of deposit. It is also recommended the bank account be restructured as an interest bearing account.**

6. The District maintains two separate accounts ostensibly for the purpose of making routine payments to the State unemployment insurance fund. The Unemployment Trust Fund had an average daily balance of \$122,207 during 1993-1994, while the Unemployment Fund had an average daily balance of \$157,741 during the same time period. The former account had minimal activity in it, while the latter had no activity at all. **It is recommended at least one of these accounts be closed and that the excess balance be restored to the District's Fund Balance.** It is commonly accepted practice to make all payroll related payments such as social security and unemployment insurance out of a payroll account since the amounts owed are a direct result of the size of the payroll.

7. The Food Service Account average daily balance ranged from \$454,625 to \$1,101,656 during FY 93-94. The interest rate on the account was below 2% all year. **It is recommended this account be restructured to improve the interest income. It is also recommended procedures be established to insure that transfers from the General Account are not made until the Food Service Enterprise Fund needs the money.**

8. **It is recommended the Controller utilize documented electronic transfers as much as possible to make payments and adjust account balances.** Where once it may have been necessary to issue checks to maintain proper internal controls, cost effective alternatives exist through banking and computer technology.

**FISCAL IMPACT:** Additional interest income of \$160,000-\$200,000 per year



## **THE MANAGEMENT OF SPECIAL EDUCATION AND TRANSPORTATION COSTS**

During the 1993-1994 school year the Passaic School District served the educational needs of 576 special education students. 401 of these children were educated within the district while the remaining 175 students were transported to public and private educational centers outside the district. The cost of tuition and transportation for the out-of-district students was \$5,228,226 or an average of \$29,876 per student. During the 1994-1995 school year, the district is serving the educational needs of 26 additional special education students, 20 of whom are transported outside the District. Using the 1993-1994 average costs, which does not include increases in tuition and transportation costs, the District's cost increased by at least \$597,520.

In an effort to help the district identify ways to control this cost, the Review Team compared the allowable classroom capacity per type of impairment with the actual classroom capacity in the district. The review team found that an additional 63 students could have been educated within the district without hiring any additional teachers or aides at a cost savings of \$1,882,188 (63 x \$29,876), which is rounded down to \$1,800,000 for the purpose of this report.

The review team recognizes differences in age grouping or other legitimate circumstances that may preclude the district from filling every special education classroom to capacity, and that special situations may exist as a result of the analysis completed by the Child Study Teams. However, it is imperative the district carefully scrutinize this matter every year and be certain that resources within the district are utilized to the fullest extent possible before commitments are made to outside educational centers resulting in major tuition and transportation expenses.

In addition to making use of existing facilities and faculty, strong consideration should be given to increasing local capacity through the use of on-campus modular classrooms. Other districts throughout the state have found that to lease-purchase and staff an approved modular classroom costs considerably less than the cost of paying tuition and transporting special education students out of the District. If twelve special education students were brought back into the District the reduction in tuition and transportation costs would be approximately \$358,512 (12 x \$29,876). If the annual debt service payment for a five year lease purchase (including all fees and site development costs) on a 36 student (1,410 s.f.) modular classroom was \$125,000 and the salary and benefit cost for one teacher and one aide was \$90,000 the District would save approximately \$143,500 in the first year. After the five year lease-purchase note was paid, the annual savings would be approximately \$233,500 (based on 5% annual increase in cost of salaries and benefits, \$10,000 operating and maintenance cost).

Improvement in transportation planning and cooperation with area districts will lead to savings in transportation costs. Many of the transportation routes are operated at less than 50% capacity. Some of this is due to the logistical challenge of delivering and

picking up the students at the proper time. Nevertheless, every opportunity should be made to combine routes wherever possible and/or modify the vehicle requirements to minimize the cost. If the district knows that only a few students will be on a particular route, there is simply no good reason to use a sixteen passenger vehicle. Safe, clean and reputable alternatives exist.

During the course of the review representatives from Passaic were encouraged to meet with representatives of the Clifton School District to explore the possibility of shared transportation routes. The two districts share nine common destinations including the Passaic County Vo-Tech High School. Preliminary estimates prepared by the Passaic staff indicate that \$60,000 to \$90,000 can be saved through joint transportation routes with Clifton. Given the length of many of the routes, i.e. to Millburn, Morristown and Teterboro, similar discussions should occur with every school district along each route in the interest of sharing costs and maximizing the use of transportation assets.

Passaic currently has seven child study teams on staff. The annual cost of salaries and benefits is approximately \$1,509,900, or an average of \$215,700 per team. During the 1993-1994 school year, the case load totaled 594 students, with the cost per case averaging \$2,540. Even if the district retained two complete teams on staff to handle unusual and exceptionally difficult situations and the entire case load was contracted at the current market rate of \$1,300 per case, the District would save approximately \$306,300  $(\$1,509,900 - (594)(\$1,300) + (\$215,700)(2))$ . If the Board chooses not to consider competitive contracting, then other stringent measures must be taken to bring the average cost per case down. There is simply no reason why the district should pay nearly twice the market rate for this specialized service.

## **FISCAL IMPACT**

Utilize existing special education capacity within the District:	\$1,800,000
Expand special education capacity within the District:	\$ 143,000 - 233,000
Implement joint transportation routes:	\$ 60,000 - 90,000
Contracted child study team services:	\$ 306,300
<b>SAVINGS</b>	<b>\$2,309,300 -</b>
<b>2,429,300</b>	

## **THE MANAGEMENT OF BILINGUAL EDUCATION COSTS AND ISSUES**

The number of articles printed in area newspapers and the recent discussions in the State legislature are indicative of the concern regarding bilingual and “English as a second language” (ESL) education. The differing points of view, the perceptions and the frustrations associated with the Bilingual/ESL program in Passaic appear to be similar to those being expressed in other districts. The program will cost Passaic an estimated \$11,178,730 during the 1994-1995 fiscal year. The review team determined that before any substantive discussion can occur or any constructive change can be implemented it will be necessary for Passaic to understand what is occurring in its bilingual/ESL program

Accordingly, the review team recommends that special Board workshops be scheduled to provide a forum for a complete presentation by the Superintendent and Program Director on (1) the current requirements regarding bilingual/ESL education, (2) the current and past enrollment and completion data, (3) the enrollment screening and the exit testing procedures, (4) the current and past costs of the program and (5) the portion of the total cost actually subsidized through the local school tax rate.

After this initial presentation has been completed, and the Board members have had the opportunity to review the presentation material, the Board should discuss the district’s goals and priorities for bilingual/ESL education.

It is important to note that nearly every senior staff member and every Board member mentioned this program when asked what were the biggest problems and concerns facing the district. It is equally important to note that the detractors include many people who do not speak English as their native language. The need for the recommended workshop is predicated upon the following concerns raised during the budget review interviews.

1. Concern was expressed that not all the teachers in the bilingual/ESL programs are truly proficient in English. If this is true it may insure completion of the academic lesson yet it detracts from the dual goal of English proficiency.
2. There are widely varying connotations of the term “proficiency.” There is considerable debate whether the ability to communicate in English outside the classroom is the same as the ability to successfully learn grade level lessons in English. Opinions on this matter appear to parallel attitudes regarding the success of the program.
3. In addition to the differences of opinion on the meaning of “proficiency,” there are many opinions on how it should be achieved. They range from the belief that a non-English speaking student should be totally immersed in an English environment to accelerate proficiency, to the belief that long term, parallel programs should exist to insure the non-English speaking student can learn complex academic lessons in their native tongue. An open debate on points 2 and 3 might lead to a greater consensus on the program.

4. There are different levels of understanding of the cost of the bilingual/ESL program and varying opinions on how much can be saved if the program was reduced or modified. In an effort to provide useful data on this specific issue, the Review Team sought to identify the marginal or extra cost incurred by the district as a result of the bilingual/ESL program. The stark reality is that if a bilingual or ESL certified teacher has a “self contained class” the cost to the district is the same as any other “regular” class. Simply put, even if the bilingual/ESL program did not exist, the district would still have to provide a teacher because of the number of students. Passaic has several “transition classes” within the elementary bilingual/ESL program that fit this description.

## **THE MANAGEMENT OF ATTENDANCE COSTS AND ISSUES**

A major area of concern within the Passaic School District is the growing drop-out problem. Directly related to this, the Review Team heard several statements of concern and frustration regarding attendance policies, attendance patterns and the constraints and/or effectiveness of the Attendance Officers.

The District spends approximately \$400,000 per year on the salaries and wages of twelve attendance officers. Because of the antiquated manual system for recording absenteeism and monitoring patterns of attendance, very little time is spent contacting students and families or addressing the problem in other direct ways. During the course of the observations and interviews with attendance officers and assistant principals, the Review Team found the following:

- The time of day used to determine when a student receives credit for attendance varies as much as two and one half hours between schools or grades. In one class a student who is present until 10:30 a.m. receives credit for the full day, while in another class or school the student must be present until 1:00 p.m.
- The procedures for determining whether an absence is excused or unexcused, as well as the definitions of an excused or unexcused absence, vary significantly between grade and school.
- There does not appear to be any attempt to differentiate between an excused or an unexcused absence in the elementary grades.
- The effort of the attendance officers notwithstanding, the condition and quality of the manually written attendance records are poor. There does not appear to be any consistency in how the records are maintained. There is no sure way to determine whether a family has been contacted by an attendance officer by looking at the base attendance record, nor is there any indication of meetings or conferences with parents or guardians.

Over 50% of every attendance officer's time is spent on clerical tasks, such as addressing attendance letters by hand. (A considerable amount of clerical staff time in the school offices is consumed doing the same thing.) Accordingly, it is strongly recommended the District allocate the funds needed to fully automate the attendance system. There is no reason that regular and certified letters regarding attendance problems cannot be put in the mail the same day a student is absent if the system is fully automated. An automated system will release attendance officers from clerical work to do the field work for which they were hired.

The review team used the original attendance records for the 1993-1994 school year from two randomly selected elementary schools and grades 7 through 11 to begin to assess the attendance problem.

- 18.6% of elementary students are absent for at least fifteen days per year. This average would have been over 20% were it not for the exceptional attendance of the Class of 2001 (93-94 fifth grade). A very strong argument could be made that the drop out problem is rooted in the elementary schools. Unexcused absences are not recorded and students are not retained in a grade regardless of the number of absences.
- The percent of students who reach or exceed 18 absences nearly triples from the sixth grade to the seventh grade. This is probably a good indication that the students become disenchanted or disenfranchised by as early as the 7th grade.
- Of the middle school and high school students who have at least 18 total absences in a year, nearly two thirds exceed 18 unexcused absences in a year.
- By the 11th grade, the percentage of students with 18 or more unexcused absences is almost identical to the percentage who do not finish the school year. It appears these students have already made the decision to drop out of school.
- When a middle or high school student reaches a total of 15 absences in a year there is 50% chance that the student will go on to amass 18 or more unexcused absences in the same year.

Overall, the attendance data can become an excellent tool for the staff when determining how to utilize its attendance officers by developing a profile of potential drop-outs and identifying changes that are needed in attendance policies and procedures. The current policies and procedures do not appear to be achieving the goal of improved attendance and a reduced drop out rate. Based on the limited review conducted by the team, it is recommended consideration be given to the following:

- Focus the effort of the attendance officers on the 4th through 10th grades. This will enable the District to maximize its effort where there is a statistical probability of the greatest benefit.
- Revise the existing attendance notification procedures so that parents are contacted when twelve unexcused absences occur. Under the present system, notifications occur at the 9 absence and 15 absence mark. As noted above, once a student reaches 15 absences there is a strong predisposition toward 18 or more unexcused absences.
- Review the policies regarding the promotion of elementary students who have an excessive number of absences.

- Revise the manner in which absences in the elementary grades are recorded to permit the identification of unexcused and excused absences.
- Delay any decision to hire additional attendance officers until the system has been fully automated and it has been determined that additional staff would have a favorable impact on attendance patterns and drop out rates.

## **ISSUES FOR STATE REVIEW AND CONSIDERATION**

During the course of the review the following issues were identified that may be more appropriately addressed by the State of New Jersey due to the need to modify existing regulations for their potential relevance to more than one district.

### **COMPETITIVE CONTRACTING FOR NURSING SERVICES**

The cost of salaries and benefits for the school nurses in Passaic is approximately \$670,000 per year. This yields a per pupil cost in excess of \$70. As a result of the three hospitals in the town, Passaic has become a regional center for medical care. It is reasonable to expect the Passaic School District could obtain cost effective bids for professional nursing services. A 15% reduction in the cost per pupil would generate a savings of approximately \$99,750 per year.

While there does not appear to be a specific exclusion or prohibition to competitively contracting nursing services in the existing statutes and administrative regulations, it is recommended consideration be given to clearly making it permissible for school districts to consider this service delivery option.

### **SELF INSURANCE, JOINT INSURANCE FUNDS**

It is recommended consideration be given to expanding and clarifying the regulations pertaining to the formation of joint insurance pools and/or the development of self insurance plans for school districts. Given the magnitude of the total insurance expense in most districts, it is essential that every tool be made available to control costs while simultaneously insuring proper risk management.

### **ALLOCATION OF VOCATIONAL SCHOOL SLOTS**

Given the growing demand, particularly in urban areas, for specialized vocational education, it is recommended the State, through the County Superintendent, insure a fair and just allocation of vocational school slots to all districts. To achieve this it may be necessary to consider alternatives that permit the student to cross county lines without generating a significant additional cost to the home district.

### **APPEAL OF SPECIAL EDUCATION PLACEMENTS**

A number of districts have begun to address the cost of out-of-district tuition and transportation of special education students by providing the required faculty and facilities within the district. Notwithstanding the recommendations of the child study teams, Passaic has experienced cases where their effort to bring a student back into the district has been met with considerable resistance from the family. The state should review its criteria by which it reviews the district's decision to bring a student back.

### **INCENTIVES FOR SHARED TRANSPORTATION COSTS**



During the course of the local budget review, representatives of the Clifton and Passaic School District met to explore the possibility of shared or consolidated transportation routes. The staff found potential savings estimated to be between \$60,000 and \$90,000 per year. A true “win-win” situation can be developed if the State increases the amount of reimbursement given to districts when they cooperate in this manner.

### **BACKGROUND CHECK(S) FOR POTENTIAL EMPLOYEES**

The nature of the school calendar places a premium on the screening of potential employees prior to the beginning of the school year. Passaic has encountered delays in receiving the required clearance on the background of prospective employees. Consideration should be given to addressing the peak in this workload through a temporary “task force,” from the New Jersey State Police or other law enforcement agency to insure timely responses to inquiries made by all districts. The safety and welfare of school children should not be compromised by seasonal bottlenecks in the workload nor should districts be put the awkward position of having to put someone on the payroll before the background check is complete.

### **BUDGETING, MANAGEMENT AND PRESENTATION OF ENTERPRISE FUND BALANCE**

Passaic has had the unusual circumstance of operating the food service program at a loss yet increasing the enterprise fund balance at the same time. This has occurred because the annual budget allocation has consistently exceeded the operating loss. Consideration should be given to modifying the existing budget and financial reporting procedures so that any excess balance in an enterprise fund is returned to the taxpayer through limitation on the annual budget allocation and/or mandatory transfer of the excess balance back to the general account.

## **LOCAL GOVERNMENT BUDGET REVIEW**

Brian W. Clymer, State Treasurer  
James A. Archibald, Deputy State Treasurer  
Louis C. Goetting, Director

Dr. Leo Klagholz, Commissioner, Department of Education  
Dr. Richard DiPatri, Deputy Commissioner, Department of Education  
Dr. Peter B. Contini, Assistant Commissioner, Department of Education  
Michael Azzara, Director, Office of Finance, Department of Education

## **REVIEW TEAM**

Frederick (Rob) Robison  
Department of the Treasury  
Local Government Budget Review Team

Mitchell Poole  
Department of the Treasury  
Local Government Budget Review Team

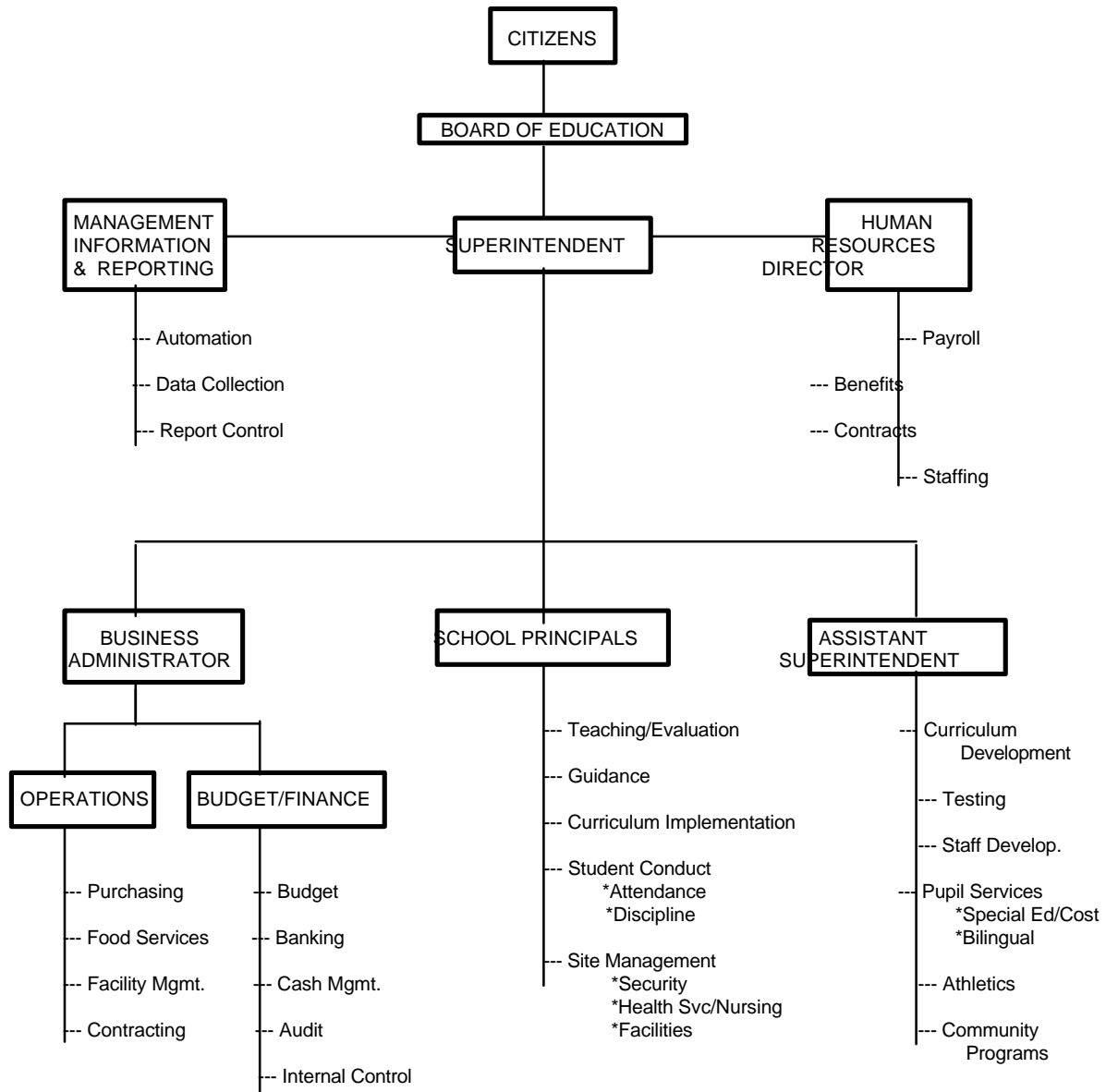
Richard Thompson  
Department of the Treasury  
Local Government Budget Review Team

Soheir Aboelnaga  
Department of Education  
Office of Compliance

Kishor Ranade  
Department of Education

# CHART #1

## A TYPICAL TABLE OF ORGANIZATION KINDERGARTEN - 12 SCHOOL DISTRICT



3.E. Related to 3.D; the Board should direct the Business Administrator to **actively explore the feasibility of contract services for nursing in some or all of the schools.** The cost of salaries and benefits for the on-site school nurses was approximately \$671,000 in 1994 which yields a per pupil cost in excess of \$70.00. Because of the location of three hospitals within the community, Passaic has become a regional center for medical care. This may help the District obtain excellent bids for nursing services. A 15% reduction in the cost per pupil would generate a savings of approximately \$99,750 per year.



**GOVERNMENT THAT WORKS!**  
**NEW JERSEY DEPARTMENT OF THE TREASURY**  
**LOCAL GOVERNMENT BUDGET REVIEW**  
**CITY OF PASSAIC**  
**BOARD OF EDUCATION**

**CHRISTINE TODD WHITMAN**  
*Governor*

**BRIAN W. CLYMER**  
*Treasurer*

**DR. LEO KLAGHOLZ**  
*Commissioner*  
*Department of Education*

**APRIL, 1995**